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SENSITIVE

USAID FOR MCC AND ANE

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SUBJECT: MCC VISITS SANAA: YEMEN ON THE THRESHOLD

1. (SBU) Summary. USAID Millennium Challenge Account Secretariat Representatives Bryan Kurtz and Steve Feldstein

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and MCC Threshold Country Managing Director Kevin Saba briefed senior level ROYG officials at the Ministries of Planning, Justice, and Human Rights December 16-19 on requirements for Yemen's MCA Threshold proposal. MCC representatives made clear to ROYG MCC lead Ministry of Planning and International Cooperation (MOPIC) that significant funding is available, but the initiative for reform must come from the ROYG. The delegation told their interlocutors that to qualify for threshold funding it was critical that Yemen's proposal addressed seriously the issues of corruption and rule of law. (Note: ROYG officials report taking this message on board, but the proof will be in the proposal due to MCC January 31.) End Summary.

Yemen's Scores

2. (SBU) Background: While a threshold country, Yemen's scores in the "Ruling Justly" category fall far below median indicators in all categories except the corruption indicator. This year's Transparency International Report, however, dropped Yemen's scores on corruption to reflect what many officials tell us privately is a more accurate score. Yemen's score in the Rule of Law category also falls below the 25 percent margin, reflecting serious shortcomings in the execution of justice.

Planning in Charge of Threshold

3. (SBU) Deputy Prime Minister and Minister of Planning Ahmed Sofan, head of the lead Ministry on MCC told the visiting delegation that his Ministry plans to use the MCC process as a springboard for wider reforms. MOPIC formed a technical committee to handle threshold and MCC, drawing on broad representation from the ministries and civil society. Jalal Yaqoub, Assistant Deputy Minister, MOPIC, chairs the committee. Yaqoub has shared his concerns with Emboffs that the committee is unwieldy, comprising a range of concerns. The technical committee reports to a ministerial committee for implementation, making the process even more cumbersome. During a meeting with MCC officials, a member of the committee complained that the Threshold process does not give them enough time to deal with the sweeping reforms called for. Comment: On the other hand, the committee is creating cross-ministerial buy-in to the MCC concept and tackling much needed reform issues. End comment.

4. (SBU) MCC representatives told ROYG officials that to qualify for threshold funding, MCC and USAID want to see immediate action on some important steps, such as the implementation of existing laws, as good-faith (and cost-free) demonstration of ROYG commitment. There is \$5-10 million in threshold funding Yemen may draw on to aid its efforts to achieve MCC status, they explained. But the funds will not be granted unless Yemen's proposal makes the grade. (Note: The Mission must first sign off on threshold proposal and staff have made very clear that Post will not forward to Washington a proposal that does not seriously address shortcomings in corruption and rule of law. End Note).

5. (SBU) In several discussions with Deputy Prime Minister Ahmed Sofan, the MCC delegation stressed the centrality of the corruption and rule of law indicators to Yemen's success. Sofan agreed that these were crosscutting issues, and said he understood that dealing with corruption was the key to eliminating many of the obstacles to reform. Mindful of the difficulties he will have in taking on such a deeply routed issue as corruption in Yemen, Sofan broadened the MCC discussions to include general poverty, the investment climate, and the role of women in society. He welcomed what he characterized as a renewed role of aid in U.S. foreign policy, and explained that tradition and lack of education in Yemen make reform difficult, but not impossible.

6. (SBU) One MOPIC official confided on the margins of the

meetings that the ROYG may start with smaller anti-corruption measures. In their view, he said, going after high-level abuse would create more problems than it would solve. Instead, he believes MOPIC will pursue smaller measures in its proposal, such as placing signs in ministries and fostering more press freedom on the issue of corruption with the aim of gaining popular support for a "culture of honesty".

Ministers of Justice and Human Rights
Explain Yemen's Constraints

17. (SBU) Minister of Justice Adnan Al-Jafri described his five-year plan for judicial reform, including extensive support for commercial courts, training for judges, and faster trials. Claiming to have the full support of President Saleh in his efforts, Jafri expressed commitment to make needed judicial reforms. Minister of Human Rights Amat al-Soswa emphasized the importance of MCC's "girls' education" indicator as the basis for political participation and the advancement of human rights in society. According to Yaqoub, advancing women's roles in society will be a significant part of Yemen's Threshold proposal.

18. (SBU) Comment. The visiting delegation clearly communicated to the relevant ROYG officials what MCC expects from Yemen's proposal for threshold funding, and were impressed that MOPIC has chosen to utilize MCC as an vehicle for reform, whether or not Yemen qualifies for MCC. All parties agree that MCC indicators reflect the most important challenges in Yemen, and that the countries future depends ultimately on progress in these areas. Sofan, his subordinates, and several interlocutors see MCC threshold as a way to encourage the ROYG to make what they characterize as long-over due reforms. MCC is providing the venue to discuss these issues and address critical shortcomings in the areas of governance and corruption. The content of Yemen's Threshold funding proposal, due in January, will speak volumes as to whether the ROYG can meet the pace and achieve the focus necessary in the short run, and then it must sustain this momentum in the long run. End comment.

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